

SCINOPHARM TAIWAN, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

SEPTEMBER 30, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of ScinoPharm Taiwan, Ltd.

We have reviewed the accompanying consolidated balance sheets of ScinoPharm Taiwan, Ltd. and subsidiaries as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and the consolidated statements of cash flows and of changes in shareholders' equity for the nine-month periods ended September 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3), the financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and nine-month periods ended September 30, 2013 and 2012. Total assets of these subsidiaries amounted to \$2,301,249 thousand and \$1,470,208 thousand, representing 21% and 15% of the related consolidated totals, and total liabilities amounted to \$899,409 thousand and \$230,985 thousand, representing 51% and 25% of the related consolidated totals, as of September 30, 2013 and 2012, respectively. Total comprehensive income of these subsidiaries amounted to \$65,548 thousand, \$79,627 thousand, \$61,445 thousand and \$163,654 thousand, constituting 27%, 27%, 6% and 23% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively. In addition, as

described in Note 6(6) to the consolidated financial statements, the financial statements of certain investments accounted for under the equity method were not reviewed by independent accountants. Investments in these companies amounted to \$95,972 thousand and \$— as of September 30, 2013 and 2012, respectively, and the related share of loss of associates and joint ventures accounted for under the equity method amounted to \$9,041 thousand, \$—, \$11,416 thousand and \$4,434 thousand for the three-month and nine-month periods then ended, respectively. These amounts were based solely on their unreviewed financial statements. We were unable to satisfy ourselves as to the carrying value of the investments or the equities in their earnings by other auditing procedures.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investments accounted for under the equity method as of and for the three-month and nine-month periods ended September 30, 2013 and 2012 been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, IAS 34, “Interim Financial Reporting” and IFRS 1, “First-time Adoption of International Financial Reporting Standards” endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan
Republic of China
November 11, 2013

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED BALANCE SHEETS
YEARS ENDED SEPTEMBER 30

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets										
1100	Cash and cash equivalents	6(1)	\$ 2,734,079	25	\$ 3,035,012	30	\$ 2,302,974	24	\$ 3,293,681	35
1110	Financial assets at fair value through profit or loss - current	6(2)	1,584	-	473	-	3,254	-	2,066	-
1150	Notes receivable, net		2,646	-	-	-	-	-	-	-
1170	Accounts receivable, net	6(3)	686,633	6	841,334	8	959,460	10	843,902	9
1200	Other receivables		154,874	1	96,300	1	66,339	1	47,983	1
130X	Inventories	5(2) and 6(4)	2,358,797	21	1,870,275	18	1,962,329	20	1,465,462	15
1410	Prepayments		160,754	2	214,261	2	201,960	2	179,883	2
1476	Other financial assets - current	8	15,552	-	-	-	-	-	15,552	-
11XX	Total Current Assets		<u>6,114,919</u>	<u>55</u>	<u>6,057,655</u>	<u>59</u>	<u>5,496,316</u>	<u>57</u>	<u>5,848,529</u>	<u>62</u>
Non-current assets										
1543	Financial assets carried at cost - non-current	6(5)	167,673	2	167,673	2	167,673	2	-	-
1550	Investments accounted for under equity method	6(5)(6)	95,972	1	-	-	-	-	172,107	2
1600	Property, plant and equipment	6(7)(9) and 7	4,019,624	36	3,559,228	34	3,265,137	34	2,890,760	30
1780	Intangible assets		23,612	-	17,521	-	17,429	-	13,330	-
1840	Deferred income tax assets	5(2)	270,488	2	153,940	2	129,095	1	84,394	1
1915	Prepayments for equipment		293,660	3	237,535	2	350,234	4	346,322	4
1980	Other financial assets - non-current	8	24,667	-	39,369	-	39,369	1	23,817	-
1985	Long-term prepaid rents	6(8)	91,860	1	90,018	1	94,704	1	100,158	1
1990	Other non-current assets		17,655	-	16,937	-	11,305	-	8,453	-
15XX	Total Non-current assets		<u>5,005,211</u>	<u>45</u>	<u>4,282,221</u>	<u>41</u>	<u>4,074,946</u>	<u>43</u>	<u>3,639,341</u>	<u>38</u>
1XXX	Total Assets		<u>\$ 11,120,130</u>	<u>100</u>	<u>\$ 10,339,876</u>	<u>100</u>	<u>\$ 9,571,262</u>	<u>100</u>	<u>\$ 9,487,870</u>	<u>100</u>

(Continued)

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED BALANCE SHEETS
YEARS ENDED SEPTEMBER 30

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities										
2100	Short-term borrowings	6(10)	\$ 742,832	6	\$ 263,676	3	\$ -	-	\$ -	-
2150	Notes payable		766	-	1,045	-	48	-	83	-
2170	Accounts payable		298,529	3	223,074	2	242,737	3	299,250	3
2200	Other payables	6(11)	477,739	4	536,155	5	513,148	5	405,808	5
2230	Current income tax liabilities		110,868	1	177,539	2	86,865	1	114,937	1
2310	Advance receipts		75,412	1	2,183	-	26,564	-	16,946	-
2399	Other current liabilities		121	-	-	-	246	-	20,768	-
21XX	Total Current Liabilities		<u>1,706,267</u>	<u>15</u>	<u>1,203,672</u>	<u>12</u>	<u>869,608</u>	<u>9</u>	<u>857,792</u>	<u>9</u>
Non-current liabilities										
2640	Accrued pension liabilities	5(2) and 6(12)	65,911	1	65,462	-	63,809	1	62,739	1
2645	Refundable deposits received		-	-	-	-	-	-	250	-
25XX	Total Non-current Liabilities		<u>65,911</u>	<u>1</u>	<u>65,462</u>	<u>-</u>	<u>63,809</u>	<u>1</u>	<u>62,989</u>	<u>1</u>
2XXX	Total Liabilities		<u>1,772,178</u>	<u>16</u>	<u>1,269,134</u>	<u>12</u>	<u>933,417</u>	<u>10</u>	<u>920,781</u>	<u>10</u>
Equity attributable to owners of parent										
Share capital										
3110	Share capital - common stock	6(13)(15)	6,759,272	61	6,499,300	63	6,499,300	68	6,310,000	67
Capital reserve										
3200	Capital surplus	6(14)(25)	1,246,977	11	1,246,977	12	1,246,977	13	1,246,977	13
Retained earnings										
3310	Legal reserve	6(15)(23)	220,944	2	103,897	1	103,897	1	7,962	-
3320	Special reserve		22,829	-	22,829	-	22,829	-	30,419	-
3350	Undistributed earnings		1,082,943	10	1,231,176	12	809,737	8	970,012	10
Other equity interest										
3400	Other equity interest	6(16)	14,987	-	(35,040)	-	(46,559)	-	-	-
31XX	Equity attributable to owners of the parent		<u>9,347,952</u>	<u>84</u>	<u>9,069,139</u>	<u>88</u>	<u>8,636,181</u>	<u>90</u>	<u>8,565,370</u>	<u>90</u>
36XX	Non-controlling interest		-	-	1,603	-	1,664	-	1,719	-
3XXX	Total equity		<u>9,347,952</u>	<u>84</u>	<u>9,070,742</u>	<u>88</u>	<u>8,637,845</u>	<u>90</u>	<u>8,567,089</u>	<u>90</u>
Commitments										
		9								
Total Liabilities and Equity			<u>\$ 11,120,130</u>	<u>100</u>	<u>\$ 10,339,876</u>	<u>100</u>	<u>\$ 9,571,262</u>	<u>100</u>	<u>\$ 9,487,870</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

See review report of independent accountants dated November 11, 2013.

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2013		2012		2013		2012	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000									
4000									
5000									
5900									
6100									
6200									
6300									
6000									
6900									
7010									
7020									
7050									
7060									
7000									
7900									
7950									
8200									
8310									
8500									
8610									
8620									
8710									
8720									
9750									
9850									

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 11, 2013.

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent						Total	Non-controlling interest	Total equity
	Share capital - common stock	Capital surplus	Retained Earnings			Financial statements translation differences of foreign operations			
			Legal reserve	Special reserve	Undistributed earnings				
<u>For the nine-month period ended September 30, 2012</u>									
Balance at January 1, 2012	\$ 6,310,000	\$ 1,246,977	\$ 7,962	\$ 30,419	\$ 970,012	\$ -	\$ 8,565,370	\$ 1,719	\$ 8,567,089
Appropriations of 2011 net income:									
Legal reserve	-	-	95,935	-	(95,935)	-	-	-	-
Cash dividends	-	-	-	-	(631,000)	-	(631,000)	-	(631,000)
Stock dividends	189,300	-	-	-	(189,300)	-	-	-	-
Net income for the nine-month period ended September 30, 2012	-	-	-	-	748,370	-	748,370	-	748,370
Other comprehensive loss for the nine-month period ended September 30, 2012	-	-	-	-	-	(46,559)	(46,559)	-	(46,559)
Reversal of special reserve	-	-	-	(7,590)	7,590	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	(55)	(55)
Balance at September 30, 2012	<u>\$ 6,499,300</u>	<u>\$ 1,246,977</u>	<u>\$ 103,897</u>	<u>\$ 22,829</u>	<u>\$ 809,737</u>	<u>(\$ 46,559)</u>	<u>\$ 8,636,181</u>	<u>\$ 1,664</u>	<u>\$ 8,637,845</u>
<u>For the nine-month period ended September 30, 2013</u>									
Balance at January 1, 2013	\$ 6,499,300	\$ 1,246,977	\$ 103,897	\$ 22,829	\$ 1,231,176	(\$ 35,040)	\$ 9,069,139	\$ 1,603	\$ 9,070,742
Appropriations of 2012 net income:									
Legal reserve	-	-	117,047	-	(117,047)	-	-	-	-
Cash dividends	-	-	-	-	(779,916)	-	(779,916)	-	(779,916)
Stock dividends	259,972	-	-	-	(259,972)	-	-	-	-
Net income for the nine-month period ended September 30, 2013	-	-	-	-	1,008,702	-	1,008,702	-	1,008,702
Other comprehensive income for the nine-month period ended September 30, 2013	-	-	-	-	-	50,027	50,027	-	50,027
Difference between the acquisition or disposal price and carrying amount of subsidiaries:									
- Acquisition of subsidiaries	-	188	-	-	-	-	188	-	188
- Disposal of subsidiaries	-	(188)	-	-	-	-	(188)	-	(188)
Change in non-controlling interest	-	-	-	-	-	-	-	(1,603)	(1,603)
Balance at September 30, 2013	<u>\$ 6,759,272</u>	<u>\$ 1,246,977</u>	<u>\$ 220,944</u>	<u>\$ 22,829</u>	<u>\$ 1,082,943</u>	<u>\$ 14,987</u>	<u>\$ 9,347,952</u>	<u>\$ -</u>	<u>\$ 9,347,952</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 11, 2013.

SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	For the <u>nine-month periods ended September 30,</u>	
	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated profit before tax for the period	\$ 1,135,362	\$ 881,956
Adjustments to reconcile net income to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
Gain on valuation of financial assets and liabilities	(1,111)	(1,188)
Doubtful accounts as other income	(2)	(4,079)
Loss on inventory market price decline	93,909	77,892
Provision for obsolescence of supplies	4,455	-
Gain on reversal of provision for obsolescence of supplies	-	(11,608)
Share of loss of associates and joint ventures accounted for under the equity method	11,416	4,434
Depreciation	323,334	261,691
Loss (gain) on disposal of property, plant and equipment	1,008	(493)
Gain on reversal of impairment loss	(1,138)	(2,725)
Amortization	7,087	3,757
Interest expense	5,249	26
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Notes receivable	(2,646)	-
Accounts receivable	154,703	(111,479)
Other receivables	(58,574)	(18,356)
Inventories	(582,835)	(574,243)
Prepayments	49,052	(10,469)
Net changes in liabilities relating to operating activities		
Notes payable	(279)	(35)
Accounts payable	75,455	(56,513)
Other payables	(3,124)	51,396
Advance receipts	73,229	9,618
Other current liabilities	121	(20,522)
Accrued pension liabilities	449	1,070
Cash provided by generated from operations	1,285,120	480,130
Interest paid	(5,249)	-
Income tax paid	(309,112)	(200,258)
Net cash provided by operating activities	970,759	279,872

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SCINOPHARM TAIWAN, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	<u>For the nine-month periods ended September 30,</u>	
	2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in pledged time deposits	(\$ 850)	\$ -
Acquisition of investments accounted for under equity method	(107,388)	-
Cash paid for acquisition of property, plant and equipment	(505,790)	(279,938)
Proceeds from disposal of property, plant and equipment	308	10,643
Acquisition of intangible assets	(11,109)	(6,832)
Increase in prepayment of equipment	(360,112)	(338,790)
Other non-current assets - refundable deposit paid	(718)	(2,871)
Net cash used in investing activities	(985,659)	(617,788)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in short-term borrowings	479,156	-
Payment of cash dividends	(779,916)	(631,000)
Decrease in refundable deposits received	-	(250)
Decrease in non-controlling interest	(1,603)	(55)
Net cash used in financing activities	(302,363)	(631,305)
Effect of exchange rate changes on cash	16,330	(21,486)
Decrease in cash and cash equivalents	(300,933)	(990,707)
Cash and cash equivalents at beginning of period	3,035,012	3,293,681
Cash and cash equivalents at end of period	\$ 2,734,079	\$ 2,302,974

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 11, 2013.

SCINOPHARM TAIWAN, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(UNAUDITED)

1. HISTORY AND ORGANIZATION

- (1) ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 11, 1997. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of western medicines and other chemical materials, biological technology services, intellectual property rights, international trade and research, development and manufacture of materials for medicines, albumin medicines, oligonucleotide medicines, peptide medicines, injections and small molecule drugs, as well as the provision of related consulting and technical services. The Company’s investment plan for the manufacturing of medicine materials was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.
- (3) Uni-President Enterprises Corp., the Company’s ultimate parent company, holds 37.94% equity interest in the Company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 11, 2013.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, ‘Financial Instruments: Classification and measurement of financial assets’

A.The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.

B.IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. The Group did not recognize any gain or loss on debt instruments and on equity instruments in other comprehensive income for the nine-month period ended September 30, 2013.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group (application of the new standards, interpretations and amendments should follow the regulations of the FSC) :

<u>New Standards, Interpretations and Amendments</u>	<u>Main Amendments</u>	<u>IASB Effective Date</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes-recovery of revalued non-depreciable assets'.	January 1, 2012
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRS. Further, the profit of government loans lower than market interest rate should not be recognized for government assistance existing at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Disclosures-offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognised amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015

The Group is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements are the first third-quarter interim consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34, 'Interim Financial Reporting', and IFRS 1, 'First-time Adoption of International Financial Reporting Standards', as endorsed by the FSC.

B. In the preparation of the balance sheet as of January 1, 2012 (the Group's date of transition to IFRSs ("the opening IFRSs balance sheet")), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRSs") on the Group's financial position, operating results and cash flows.

C. The consolidated financial statements as of and for the nine-month period ended September 30, 2013 should be read together with those as of and for the three-month period ended March 31, 2013.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention :

- a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized prior period's service cost and unrecognized actuarial losses, less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the

same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements :

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business activities</u>	<u>Percentage owned by the Company</u>		<u>Note</u>
			<u>September 30, 2013</u>	<u>December 31, 2012</u>	
ScinoPharm Taiwan, Ltd.	SPT International Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd.	Professional investment	0.00	60.00	(Note A)
SPT International Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	100.00	100.00	—

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company		Note
			September 30, 2012	January 1, 2012	
ScinoPharm Taiwan, Ltd.	SPT International Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Professional investment	100.00	100.00	—
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd.	Professional investment	60.00	60.00	—
SPT International Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development and manufacture of API and new medicine, etc.	100.00	100.00	—
SPT International Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	100.00	—	(Note B)

(Note A) Liquidated in September, 2013.

(Note B) New entity incorporated during the three-month period ended March 31, 2012.

The financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and nine-month periods ended September 30, 2013 and 2012. Total assets of these subsidiaries amounted to \$2,301,249 and \$1,470,208, representing 21% and 15% of the related consolidated totals, and total liabilities amounted to \$899,409 and \$230,985, representing 51% and 25% of the related consolidated totals, as of September 30, 2013 and 2012, respectively. Total comprehensive income of these subsidiaries amounted to \$65,548, \$79,627, \$61,445 and \$163,654, representing 27%, 27%, 6% and 23% of the related consolidated totals for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d) Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "interest income or finance costs". All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

- a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.

- b) When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. However, when the Group loses significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- c) When a foreign operation as an associate or jointly controlled entity is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.
- d) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A.Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized within twelve months from the balance sheet date;
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B.Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a) Liabilities that are expected to be paid off within the normal operating cycle;
- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets measured at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- a) Hybrid (combined) contracts; or
- b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized

cost using the effective interest method, less provision for impairment. However, short-term accounts receivable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- a) Significant financial difficulty of the issuer or debtor;
 - b) The disappearance of an active market for that financial asset because of financial difficulties;
 - c) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - d) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- a) Financial assets measured at amortized cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met :

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital reserve' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital reserve' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital reserve in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if necessary, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings	2 ~ 35 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	2 ~ 6 years
Office equipment	3 ~ 9 years
Leasehold assets	3 years
Other equipment	2 ~ 7 years

(15) Intangible assets

Professional skills, computer software, etc. are stated at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 10 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized.

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings

using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable that bear no interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- a) Hybrid (combined) contracts; or
- b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Derecognition of financial liabilities

A. A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

B. The Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences (10%) to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

- i. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income and presented in retained earnings in the period in which they arise.
- iii. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.
- iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at

the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(23) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognized as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognized in profit or loss.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have

been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. The Group operates in jurisdictions where current tax assets and current tax liabilities are not legally enforceable to be offsetted against each other, As a result, the Group recognizes its deferred income tax assets and liabilities on the gross basis.
- F. A deferred tax asset shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales of goods

The Group manufactures and sells Active Pharmaceutical Ingredients (API), intermediates, etc. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Group provides biochemical technology development consultation and processing services. Revenue from rendering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a

service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Manager that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

A. Financial assets — impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future.

b) As of September 30, 2013, the carrying amount of inventories was \$2,358,797.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial

characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Realisability of deferred income tax assets

- a) Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.
- b) As of September 30, 2013, the Group recognised deferred income tax assets amounting to \$270,488.

D. Calculation of accrued pension obligations

- a) When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.
- b) As of September 30, 2013, the carrying amount of accrued pension obligations was \$65,911.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Cash:		
Cash on hand	\$ 275	\$ 250
Checking accounts and demand deposits	504, 356	472, 413
Time deposits	<u>2, 147, 614</u>	<u>2, 416, 593</u>
	2, 652, 245	2, 889, 256
Cash Equivalents:		
Bill under repurchase agreements	<u>81, 834</u>	<u>145, 756</u>
Cash and cash equivalents as per consolidated balance sheet and cash flow statement	<u>\$ 2, 734, 079</u>	<u>\$ 3, 035, 012</u>

	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Cash:		
Cash on hand	\$ 102	\$ 101
Checking accounts and demand deposits	377, 149	206, 142
Time deposits	<u>1, 754, 508</u>	<u>3, 027, 604</u>
	2, 131, 759	3, 233, 847
Cash Equivalents:		
Bill under repurchase agreements	<u>171, 215</u>	<u>59, 834</u>
Cash and cash equivalents as per consolidated balance sheet and cash flow statement	<u>\$ 2, 302, 974</u>	<u>\$ 3, 293, 681</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Details of the Group's time deposits pledged to others as collateral (listed as "Other financial assets - current" and "Other financial assets - non-current") as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 are provided in Note 8.

(2) FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<u>Items</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Current items:		
Financial assets held for trading		
Non-hedging derivatives	<u>\$ 1, 584</u>	<u>\$ 473</u>
<u>Items</u>	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Current items:		
Financial assets held for trading		
Non-hedging derivatives	<u>\$ 3, 254</u>	<u>\$ 2, 066</u>

A. The Group recognised a net gain (loss) on financial assets and liabilities held for trading amounting to \$3,995 and \$6,419 for the three-month periods ended September 30, 2013 and 2012, respectively, and (\$9,625) and \$10,399 for the nine-month periods ended September 30, 2013 and 2012, respectively (listed as "other gains and losses").

B. The counterparties of the Group's debt instrument investments have good credit quality. The maximum exposure to credit risk at balance sheet date is the carrying amount of financial assets and liabilities at fair value through profit or loss-debt instruments.

C. The contract information of non-hedging derivative instrument transactions is as follows:

	<u>September 30, 2013</u>		<u>December 31, 2012</u>	
<u>Derivative Instruments</u>	<u>Contract amount</u>	<u>Contract period</u>	<u>Contract amount</u>	<u>Contract period</u>
Forward exchange contracts	USD11,310,000	8.2013 ~ 11.2013	USD14,820,000	11.2012 ~ 2.2013

<u>Derivative Instruments</u>	<u>September 30, 2012</u>		<u>January 1, 2012</u>	
	<u>Contract amount</u>	<u>Contract period</u>	<u>Contract amount</u>	<u>Contract period</u>
Forward exchange contracts	USD14,370,000	8.2012~11.2012	USD 7,323,000	11.2011~2.2012
	EUR 420,000	8.2012~10.2012	EUR 1,100,000	11.2011~1.2012

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of operations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

D.The Group has no financial assets at fair value through profit or loss pledged to others.

(3) ACCOUNTS RECEIVABLE, NET

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Accounts receivable	\$ 686, 656	\$ 841, 359
Less: Allowance for doubtful accounts	(23)	(25)
	<u>\$ 686, 633</u>	<u>\$ 841, 334</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Accounts receivable	\$ 959, 521	\$ 848, 042
Less: Allowance for doubtful accounts	(61)	(4, 140)
	<u>\$ 959, 460</u>	<u>\$ 843, 902</u>

A. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Group had no accounts receivable classified as “past due but not impaired”.

B. Movements on the provision for impairment of accounts receivable are as follows:

	<u>2013</u>	<u>2012</u>
	<u>Individual provision</u>	<u>Individual provision</u>
At January 1	\$ 25	\$ 4, 140
Reversal of impairment	(2)	(4, 079)
At September 30	<u>\$ 23</u>	<u>\$ 61</u>

C.Accounts receivable that were neither past due nor impaired were from customers with good credit quality.

D. The maximum exposure to credit risk at September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

E.The Group does not hold any collateral as security.

(4) INVENTORIES, NET

September 30, 2013		
Cost	Allowance for market price decline	Book value
Raw materials	\$ 440,193 (\$ 52,159)	\$ 388,034
Supplies	39,301 (1,042)	38,259
Work in process	1,153,363 (63,714)	1,089,649
Finished goods	1,069,732 (226,877)	842,855
<u>\$ 2,702,589</u>	<u>(\$ 343,792)</u>	<u>\$ 2,358,797</u>
December 31, 2012		
Cost	Allowance for market price decline	Book value
Raw materials	\$ 518,604 (\$ 40,057)	\$ 478,547
Supplies	20,480 (857)	19,623
Work in process	773,779 (40,515)	733,264
Finished goods	806,891 (168,050)	638,841
<u>\$ 2,119,754</u>	<u>(\$ 249,479)</u>	<u>\$ 1,870,275</u>
September 30, 2012		
Cost	Allowance for market price decline	Book value
Raw materials	\$ 485,793 (\$ 58,604)	\$ 427,189
Supplies	23,575 (1,112)	22,463
Work in process	883,598 (48,937)	834,661
Finished goods	859,455 (181,439)	678,016
<u>\$ 2,252,421</u>	<u>(\$ 290,092)</u>	<u>\$ 1,962,329</u>
January 1, 2012		
Cost	Allowance for market price decline	Book value
Raw materials	\$ 441,619 (\$ 48,431)	\$ 393,188
Supplies	10,353 (1,167)	9,186
Work in process	614,824 (31,685)	583,139
Finished goods	611,382 (131,433)	479,949
<u>\$ 1,678,178</u>	<u>(\$ 212,716)</u>	<u>\$ 1,465,462</u>

The cost of inventories recognised as expense for the three-month and nine-month periods ended September 30, 2013 and 2012 was \$709,447, \$640,800 and \$1,849,513, \$1,557,353, respectively, including \$23,541, \$30,625 and \$93,909, \$77,892, respectively, that the Group wrote down from cost to net realizable value accounted for as 'cost of goods sold'.

(5) FINANCIAL ASSETS MEASURED AT COST – NON – CURRENT

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167, 673	\$ 167, 673
SYNGEN, INC.	<u>4, 620</u>	<u>4, 620</u>
	172, 293	172, 293
Less: Accumulated impairment	(<u>4, 620</u>)	(<u>4, 620</u>)
	<u>\$ 167, 673</u>	<u>\$ 167, 673</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Unlisted stocks		
Tanvex Biologics, Inc.	\$ 167, 673	\$ –
SYNGEN, INC.	<u>4, 620</u>	<u>4, 620</u>
	172, 293	4, 620
Less: Accumulated impairment	(<u>4, 620</u>)	(<u>4, 620</u>)
	<u>\$ 167, 673</u>	<u>\$ –</u>

- A. Based on the Group's intension, its investment in Tanvex Biologics, Inc. and SYNGEN, INC. should be classified as available-for-sale financial assets. However, as Tanvex Biologics, Inc. and SYNGEN, INC. are not traded in an active market and no sufficient industry information and financial information of similar companies can be obtained, the fair value of the investments in Tanvex Biologics, Inc. and SYNGEN, INC. cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.
- B. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, no financial assets measured at cost held by the Group were pledged to others.
- C. Tanvex Biologics, Inc. ("Tanvex") increased its capital on January 19, 2012. The Company did not subscribe to the capital increase proportionately, resulting to a decrease in ownership percentage from 36.36% to 17.02%. After a comprehensive assessment on various indicators, the Group concluded that it has lost significant influence in Tanvex and accordingly reclassified Tanvex from long-term investment accounted for under the equity method of \$167,673 to financial assets measured at cost.

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
<u>Investee Company</u>		
Foreseeacer Pharmaceuticals, Inc.	<u>\$ 95, 972</u>	<u>\$ –</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
<u>Investee Company</u>		
Tanvex Biologics, Inc.	<u>\$ –</u>	<u>\$ 172, 107</u>

A. The Group purchased the shares of Foreseeacer Pharmaceuticals, Inc. in May, 2013 and gained significant influence over the investee company and accounts for the investment using the equity method from the acquisition date.

B. The financial information of the Group’s principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Profit/ (Loss)</u>	<u>Ownership Percentage</u>
<u>September 30, 2013</u>					
Foreseeacer					
Pharmaceuticals,					
Inc.	<u>\$ 650,485</u>	<u>\$ 14,379</u>	<u>\$ -</u>	<u>(\$ 59,120)</u>	15.32%
<u>January 1, 2012</u>					
Tanvex					
Biologics, Inc.	<u>\$ 229,998</u>	<u>\$ 18,727</u>	<u>\$ -</u>	<u>(\$ 151,691)</u>	36.36%

C. The share of loss of associates and joint ventures accounted for under the equity method amounting to \$9,041, \$— and \$11,416, \$4,434 for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively, were recognized based on the unreviewed financial statements of these investees for the corresponding periods.

D. Please refer to Note 6(5) for the details of long-term investment accounted for under the equity method reclassified to financial assets carried at cost-non-current.

(7) PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Construction in progress and prepayments for equipment</u>	<u>Total</u>
<u>January 1, 2013</u>							
Cost	\$ 2,024,781	\$ 3,749,060	\$ 18,421	\$ 78,758	\$ 135,980	\$ 613,004	\$ 6,620,004
Accumulated depreciation	(487,046)	(2,474,962)	(8,814)	(45,283)	(23,402)	-	(3,039,507)
Accumulated impairment	-	(21,269)	-	-	-	-	(21,269)
	<u>\$ 1,537,735</u>	<u>\$ 1,252,829</u>	<u>\$ 9,607</u>	<u>\$ 33,475</u>	<u>\$ 112,578</u>	<u>\$ 613,004</u>	<u>\$ 3,559,228</u>
<u>Nine-month period ended September 30, 2013</u>							
At January 1, 2013	\$ 1,537,735	\$ 1,252,829	\$ 9,607	\$ 33,475	\$ 112,578	\$ 613,004	\$ 3,559,228
Additions	-	15,604	-	419	-	434,475	450,498
Disposals — Cost	(6,526)	(74,685)	-	(268)	(25)	-	(81,504)
— Accumulated depreciation	6,526	73,509	-	147	6	-	80,188
Reclassification (note)	107,109	532,219	9,269	37,673	(8,881)	(369,779)	307,610
Depreciation charge	(60,092)	(229,160)	(2,381)	(16,532)	(15,169)	-	(323,334)
Reversal of impairment loss	-	1,138	-	-	-	-	1,138
Net exchange differences	8,960	4,762	207	484	4,169	7,218	25,800
At September 30, 2013	<u>\$ 1,593,712</u>	<u>\$ 1,576,216</u>	<u>\$ 16,702</u>	<u>\$ 55,398</u>	<u>\$ 92,678</u>	<u>\$ 684,918</u>	<u>\$ 4,019,624</u>
<u>September 30, 2013</u>							
Cost	\$ 2,134,475	\$ 4,227,410	\$ 27,953	\$ 122,297	\$ 126,782	\$ 684,918	\$ 7,323,835
Accumulated depreciation	(540,763)	(2,631,063)	(11,251)	(66,899)	(34,104)	-	(3,284,080)
Accumulated impairment	-	(20,131)	-	-	-	-	(20,131)
	<u>\$ 1,593,712</u>	<u>\$ 1,576,216</u>	<u>\$ 16,702</u>	<u>\$ 55,398</u>	<u>\$ 92,678</u>	<u>\$ 684,918</u>	<u>\$ 4,019,624</u>

		Machinery and Transportation		Office	Leased		Construction in progress	
	Buildings	equipment	equipment	equipment	assets	Others	and prepayments	Total
January 1, 2012							for equipment	
Cost	\$ 1,735,466	\$ 3,483,347	\$ 11,930	\$ 57,991	\$ 14,970	\$ 63,793	\$ 316,664	\$ 5,684,161
Accumulated depreciation	(425,680)	(2,258,997)	(7,764)	(36,424)	(14,970)	(22,440)	-	(2,766,275)
Accumulated impairment	-	(27,126)	-	-	-	-	-	(27,126)
	<u>\$ 1,309,786</u>	<u>\$ 1,197,224</u>	<u>\$ 4,166</u>	<u>\$ 21,567</u>	<u>\$ -</u>	<u>\$ 41,353</u>	<u>\$ 316,664</u>	<u>\$ 2,890,760</u>
<u>Nine-month period ended</u>								
<u>September 30, 2012</u>								
At January 1, 2012	\$ 1,309,786	\$ 1,197,224	\$ 4,166	\$ 21,567	\$ -	\$ 41,353	\$ 316,664	\$ 2,890,760
Additions	-	-	3,840	11,556	-	328	319,414	335,138
Disposals – Cost	(4,292)	(37,000)	(103)	(665)	-	(12,194)	-	(54,254)
– Accumulated depreciation	1,241	34,020	4	103	-	8,736	-	44,104
Reclassification (note)	285,574	149,952	-	17,426	-	50,543	(177,430)	326,065
Depreciation charge	(49,486)	(192,795)	(1,317)	(10,253)	-	(7,840)	-	(261,691)
Reversal of impairment loss	-	2,725	-	-	-	-	-	2,725
Net exchange differences	(4,552)	(2,778)	(115)	(374)	-	(2,258)	(7,633)	(17,710)
At September 30, 2012	<u>\$ 1,538,271</u>	<u>\$ 1,151,348</u>	<u>\$ 6,475</u>	<u>\$ 39,360</u>	<u>\$ -</u>	<u>\$ 78,668</u>	<u>\$ 451,015</u>	<u>\$ 3,265,137</u>
<u>September 30, 2012</u>								
Cost	\$ 2,011,923	\$ 3,593,093	\$ 15,492	\$ 85,880	\$ 14,970	\$ 99,540	\$ 451,015	\$ 6,271,913
Accumulated depreciation	(473,652)	(2,417,344)	(9,017)	(46,520)	(14,970)	(20,872)	-	(2,982,375)
Accumulated impairment	-	(24,401)	-	-	-	-	-	(24,401)
	<u>\$ 1,538,271</u>	<u>\$ 1,151,348</u>	<u>\$ 6,475</u>	<u>\$ 39,360</u>	<u>\$ -</u>	<u>\$ 78,668</u>	<u>\$ 451,015</u>	<u>\$ 3,265,137</u>

(Note) Reclassified from “prepayment for equipment” and from “other assets” to “office equipment”.

A. As of and for the nine-month periods ended September 30, 2013 and 2012, the Group has not capitalized any interest.

B. Please refer to Note 6 (9) for details of prior years’ impairment provision and reversal of impairment on property, plant and equipment.

C. As of September 30, 2013 and 2012, December 31, 2012, and January 1, 2012, no property, plant and equipment were pledged to others as collaterals.

(8) Long-term prepaid rent

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Long-term prepaid rent	\$ <u>91,860</u>	\$ <u>90,018</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Long-term prepaid rent	\$ <u>94,704</u>	\$ <u>100,158</u>

In 2008, the Group's Mainland China subsidiary entered into a land use right contract with the local government relating to the acquisition of the right to use the land located in Changshu, Jiangsu province, with a lease term of 50 years. The subsidiary had prepaid all rental expenses on the contract date, and recognized rental expenses of \$492, \$489 and \$1,469, \$1,466 for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

(9) IMPAIRMENT OF NON-FINANCIAL ASSETS

A. The Group reversed the impairment loss recognized in prior period amounting to \$32, \$155, and \$1,138, \$2,725 for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively, which was recognized in profit or loss for the corresponding periods, as some of the idle machineries were again utilized in production. For details of accumulated impairment, please refer to Note 6(7) Property, plant and equipment.

B. The impairment loss reported by operating segments is as follows:

	<u>For the three-month period ended September 30, 2013</u>		<u>For the three-month period ended September 30, 2012</u>	
	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>
ScinoPharm Taiwan	\$ <u>32</u>	\$ <u>-</u>	\$ <u>155</u>	\$ <u>-</u>
	<u>For the nine-month period ended September 30, 2013</u>		<u>For the nine-month period ended September 30, 2012</u>	
	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>
ScinoPharm Taiwan	\$ <u>1,138</u>	\$ <u>-</u>	\$ <u>2,725</u>	\$ <u>-</u>

(10) SHORT-TERM BORROWINGS

<u>Type of borrowings</u>	<u>September 30, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>742,832</u>	1.20%~1.31%	None
<u>Type of borrowings</u>	<u>December 31, 2012</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loans	\$ <u>263,676</u>	1.31%~1.35%	None

As of September 30, 2012 and January 1, 2012, there were no short-term borrowings.

(11) OTHER PAYABLES

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Accrued expenses	\$ 334,358	\$ 385,939
Payables on equipment	67,404	122,696
Others	75,977	27,520
	<u>\$ 477,739</u>	<u>\$ 536,155</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Accrued expenses	\$ 304,955	\$ 355,936
Payables on equipment	93,473	37,555
Others	114,720	12,317
	<u>\$ 513,148</u>	<u>\$ 405,808</u>

(12) PENSIONS

A. The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees before the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and the employees who choose to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement).

The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee.

a) The amounts recognized in the balance sheets are determined as follows:

	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of funded obligations	\$ 114,343	\$ 108,046
Fair value of plan assets	(48,020)	(44,380)
	66,323	63,666
Unrecognised past service cost	(861)	(927)
Net liability in the balance sheets	<u>\$ 65,462</u>	<u>\$ 62,739</u>

- b) The Group recognised pension expenses of \$971, \$1,170 and \$2,914, \$3,510 in the statement of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.
- c) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses recognized in other comprehensive income were \$1,286 and \$—, respectively.
- d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of September 30, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.
- e) The principal actuarial assumptions used were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	<u>1.50%</u>	<u>1.75%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>
Expected return on plan assets	<u>1.50%</u>	<u>1.75%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

- f) Historical information of experience adjustments was as follows:

	<u>2012</u>
Present value of defined benefit obligations	\$ 114,343
Fair value of plan assets	(48,020)
Deficit in the plan	\$ 66,323
Experience adjustments on plan liabilities	(\$ 5,927)
Experience adjustments on plan assets	(\$ 379)

g) The Group's expected contributions to the pension plans for the period from October 1, 2013 to December 31, 2013 amount to \$822.

B. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The subsidiaries in Mainland China are subject to a statutory non-contributory and funded defined contribution plan. In accordance with the related Laws of the People's Republic of China, the subsidiaries in Mainland China contribute monthly 18% of the employees' monthly salaries and wages to an independent fund administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. For the three-month and nine-month periods ended September 30, 2013 and 2012, the pension cost recognized under the aforementioned defined contribution pension plan were \$10,042, \$10,774 and \$26,117, \$25,546, respectively.

(13) SHARE CAPITAL

A. As of September 30, 2013, the Company's authorized capital was \$10,000,000, consisting of 675,927 thousand shares of ordinary stock, and the paid-in capital was \$6,759,272 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2013</u>	<u>2012</u>
At January 1	649, 930	631, 000
Capitalisation of retained earnings	<u>25, 997</u>	<u>18, 930</u>
At September 30	<u><u>675, 927</u></u>	<u><u>649, 930</u></u>

(14) CAPITAL RESERVE

A. Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movement on capital surplus:

	<u>For the nine-month period ended September 30, 2013</u>			
	<u>Share premium</u>	<u>Stock options</u>	<u>Difference between the acquisition or disposal price and carrying amount of subsidiaries</u>	<u>Total</u>
At January 1	\$1, 233, 286	\$13, 691	\$ -	\$1, 246, 977
Difference between the acquisition or disposal price and carrying amount of subsidiaries:				
— Acquisition of subsidiaries	-	-	188	188
— Disposal of subsidiaries	-	-	(188)	(188)
At September 30	<u>\$1, 233, 286</u>	<u>\$13, 691</u>	<u>\$ -</u>	<u>\$1, 246, 977</u>

	<u>For the nine-month period ended September 30, 2012</u>			
	<u>Share premium</u>	<u>Stock options</u>	<u>Difference between the acquisition or disposal price and carrying amount of subsidiaries</u>	<u>Total</u>
At January 1 and September 30	<u>\$1, 233, 286</u>	<u>\$13, 691</u>	<u>\$ -</u>	<u>\$1, 246, 977</u>

Please refer to Note 6(25) for details of difference between the acquisition or disposal price and carrying amount of subsidiaries and the related changes in disposal gain or loss through liquidated subsidiaries.

(15) RETAINED EARNINGS

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the

annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Directors' and supervisors' remuneration shall comprise 2% and at least 0.2% for employees' bonuses.

C. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated July 9, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. For the three-month and nine-month periods ended September 30, 2013 and 2012, employees' bonus and directors' and supervisors' remuneration were accrued at \$5,000, \$6,410 and \$19,980, \$14,685, respectively, which were estimated based on certain percentages (prescribed by the Company's Articles of Incorporation) of net profit in the corresponding periods after taking into account the legal reserve and other factors. The employees' bonus and directors' and supervisors' remuneration was resolved to be \$23,175 in the 2012 stockholders' meeting, which was different from the estimated amount recognized in the 2012 financial statements by \$5. Such differences were recognized in the 2013 consolidated income statement. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The Company recognized cash dividends and stock dividends distributed to owners amounting to \$631,000 (\$1.00 (in dollars) per share) and \$189,300 (\$0.3 (in dollars) per share) for the year ended December 31, 2012, respectively. On June 21, 2013, the shareholders at the shareholders' meeting resolved to distribute cash dividends and stock dividends amounting to \$779,916 (\$1.20 (in dollars) per share) and \$259,972 (\$0.4 (in dollars) per share), respectively, from the 2012 earnings.

(16) OTHER EQUITY ITEMS

	<u>2013</u>	<u>2012</u>
At January 1	(\$ 35,040)	\$ -
Currency translation differences — group	<u>50,027</u>	<u>(46,559)</u>
At September 30	<u>\$ 14,987</u>	<u>(\$ 46,559)</u>

(17) OPERATING REVENUE

	For the three-month periods ended September 30,	
	2013	2012
Sales revenue	\$ 1,289,883	\$ 1,288,018
Less: Sales returns	(48,053)	(15,619)
Sales discounts	(5,292)	(70)
Technical service revenue	3,259	11,775
	<u>\$ 1,239,797</u>	<u>\$ 1,284,104</u>

	For the nine-month periods ended September 30,	
	2013	2012
Sales revenue	\$ 3,839,659	\$ 3,155,051
Less: Sales returns	(81,657)	(15,619)
Sales discounts	(14,366)	(338)
Technical service revenue	20,298	29,090
	<u>\$ 3,763,934</u>	<u>\$ 3,168,184</u>

(18) OTHER INCOME

	For the three-month periods ended September 30,	
	2013	2012
Interest income from bank deposits	\$ 6,803	\$ 6,265
Others	3,266	-
	<u>\$ 10,069</u>	<u>\$ 6,265</u>

	For the nine-month periods ended September 30,	
	2013	2012
Interest income from bank deposits	\$ 26,462	\$ 20,714
Others	12,114	-
	<u>\$ 38,576</u>	<u>\$ 20,714</u>

(19) OTHER GAINS AND LOSSES

	For the three-month periods ended September 30,	
	2013	2012
Net gains on financial assets/liabilities through profit or loss	\$ 3,995	\$ 6,419
Net currency exchange losses	(11,619)	(14,988)
Gains (losses) on disposal of property, plant, and equipment	240	(139)
Reversal of impairment loss	32	155
Miscellaneous	(1,500)	10,764
	<u>(\$ 8,852)</u>	<u>\$ 2,211</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Net (losses) gains on financial assets/liabilities through profit or loss	(\$ 9,625)	\$ 10,399
Net currency exchange gains (losses)	14,869	(32,320)
(Losses) gains on disposal of property, plant, and equipment	(1,008)	493
Reversal of impairment loss	1,138	2,725
Miscellaneous	(7,097)	18,375
	<u>(\$ 1,723)</u>	<u>(\$ 328)</u>

(20) FINANCE COSTS

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Interest expense:		
Bank loans	\$ 2,248	\$ -
Amortization of lease payable	-	5
	<u>\$ 2,248</u>	<u>\$ 5</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Interest expense:		
Bank loans	\$ 5,249	\$ -
Amortization of lease payable	-	26
	<u>\$ 5,249</u>	<u>\$ 26</u>

(21) EXPENSES BY NATURE

	<u>For the three-month period ended September 30, 2013</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 140,453	\$ 121,381	\$ 261,834
Depreciation	90,430	21,741	112,171
Amortization	174	2,424	2,598
	<u>\$ 231,057</u>	<u>\$ 145,546</u>	<u>\$ 376,603</u>

	<u>For the nine-month period ended September 30, 2013</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 419,571	\$ 323,399	\$ 742,970
Depreciation	259,021	64,313	323,334
Amortization	519	6,568	7,087
	<u>\$ 679,111</u>	<u>\$ 394,280</u>	<u>\$ 1,073,391</u>

	<u>For the three-month period ended September 30, 2012</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 134,484	\$ 73,439	\$ 207,923
Depreciation	72,133	17,789	89,922
Amortization	74	1,460	1,534
	<u>\$ 206,691</u>	<u>\$ 92,688</u>	<u>\$ 299,379</u>

	<u>For the nine-month period ended September 30, 2012</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 378,131	\$ 254,726	\$ 632,857
Depreciation	208,869	52,822	261,691
Amortization	131	3,626	3,757
	<u>\$ 587,131</u>	<u>\$ 311,174</u>	<u>\$ 898,305</u>

(22) EMPLOYEE BENEFIT EXPENSE

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 223,305	\$ 177,460
Labor and health insurance	15,761	13,158
Pension costs	11,013	11,944
Other personnel expenses	11,755	5,361
	<u>\$ 261,834</u>	<u>\$ 207,923</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 638,387	\$ 545,946
Labor and health insurance	45,452	37,948
Pension costs	29,031	29,056
Other personnel expenses	30,100	19,907
	<u>\$ 742,970</u>	<u>\$ 632,857</u>

(23) INCOME TAX

A. Income tax expense

a) Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Current tax:		
Current period income tax	\$ 59,587	\$ 77,810
Deferred tax:		
Temporary differences	(52,119)	(11,244)
Income tax expense	<u>\$ 7,468</u>	<u>\$ 66,566</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Current tax:		
Current period income tax	\$ 238,440	\$ 179,501
Under (over) provision of prior year's income tax	<u>4,768</u>	(1,214)
Total current tax	<u>243,208</u>	<u>178,287</u>
Deferred tax:		
Temporary differences	(116,548)	(44,701)
Income tax expense	<u>\$ 126,660</u>	<u>\$ 133,586</u>

b) Reconciliation between income tax expense and accounting profit

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Income tax at the statutory tax rate	\$ 205,835	\$ 160,376
Effect of items that cannot be recognized according to the laws and regulations	(81,000)	(26,187)
10% tax on unappropriated earnings	1,353	4,312
Under (over) provision of prior year's income tax	4,768	(1,214)
Effect of tax exemption	(4,296)	(3,701)
Income tax expense	<u>\$ 126,660</u>	<u>\$ 133,586</u>

B. The Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

C. The Group's unappropriated retained earnings listed on the balance sheet as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 were all generated after the year 1998.

D. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the balance of the Company's imputation tax credit account was \$28,128, \$11,793, \$9,957 and

\$65,847, respectively. The earnings distribution for 2012 and 2011 were approved at the stockholders' meeting on June 21, 2013 and June 13, 2012 and the date of dividend distribution were set on August 15, 2013 and August 16, 2012 by the Board of Directors, respectively. The creditable tax rate for 2012 and 2011 were 21.06% and 18.47%, respectively.

(24) EARNINGS PER SHARE ("EPS")

	<u>For the three-month period ended September 30, 2013</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding during the period (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 252,504	675,927	\$ 0.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 252,504	675,927	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	6	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 252,504	675,933	\$ 0.37

For the three-month period ended September 30, 2012

	Weighted average number of shares		EPS (in dollars)
	Amount after tax	outstanding during the period (shares in thousands)	
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 325,499	675,927	\$ 0.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 325,499	675,927	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	9	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 325,499	675,936	\$ 0.48

For the nine-month period ended September 30, 2013

	Weighted average number of shares		EPS (in dollars)
	Amount after tax	outstanding during the period (shares in thousands)	
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 1,008,702	675,927	\$ 1.49
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 1,008,702	675,927	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	22	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,008,702	675,949	\$ 1.49

	For the nine-month period ended September 30, 2012		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding during the period (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 748,370	675,927	\$ 1.11
<u>Diluted earnings per share</u>			
Profit attributable to ordinary stockholders of the parent	\$ 748,370	675,927	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	24	
Profit attributable to ordinary stockholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 748,370</u>	<u>675,951</u>	<u>\$ 1.11</u>

A. The abovementioned weighted average number of ordinary shares outstanding have been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2012.

B. As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retrospectively.

(25) Transactions with non-controlling interest

A. In April, 2013, the Group purchased additional 40% of outstanding share interests of President ScinoPharm (Cayman), Ltd. The transaction had been settled and the Group paid \$1,647. The book value of these shares on the acquisition date was \$4,588. This transaction reduced non-controlling interest and increased the equity of owners of the parent by \$1,835. The

difference between the proceeds for acquisition of the interests and book value of the interests was included in capital reserve.

	<u>For the three-month period ended September 30, 2013</u>	<u>For the nine-month period ended September 30, 2013</u>
Carrying amount of non-controlling interest acquired	\$ 1,835	\$ 1,835
Consideration paid to non-controlling interest	(1,647)	(1,647)
Capital reserve – Difference between the acquisition or disposal price and carrying amount of subsidiaries	<u>\$ 188</u>	<u>\$ 188</u>

B. The Group has finished liquidation procedure for President ScinoPharm (Cayman) in September 2013, and the capital reserve resulted from above mentioned transaction was reclassified to current period profit or loss.

(26) Non-cash transactions

A. Investing activities with partial cash payments

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Purchase of property, plant and equipment	\$ 450,498	\$ 335,138
Add : Opening balance of payable on equipment (recorded as 'other payables')	122,696	37,555
Opening balance of capital lease payable (recorded as 'other current liabilities')	–	964
Less : Ending balance of payable on equipment (recorded as 'other payables')	(67,404)	(93,473)
Ending balance of capital lease payable (recorded as 'other current liabilities')	–	(246)
Cash paid for purchase of property, plant and equipment	<u>\$ 505,790</u>	<u>\$ 279,938</u>

B. Investing activities with no cash flow effects

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Reclassification of prepayment for equipment to property, plant and equipment	<u>\$ 307,610</u>	<u>\$ 326,065</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent and the ultimate controlling party of the Company is Uni-President Enterprises Corp.

(2) Significant transactions and balances with related parties

A. Other expenses:

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Consulting fees:		
— Ultimate parent company	<u>\$ 1,050</u>	<u>\$ 1,965</u>
Repairs and maintenance fees:		
— An entity controlled by key management individuals	<u>\$ —</u>	<u>\$ —</u>
Management service fees:		
— Associates of ultimate parent company	\$ 1,110	\$ —
— The Company's key management individual	<u>476</u>	<u>455</u>
	<u>\$ 1,586</u>	<u>\$ 455</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Consulting fees:		
— Ultimate parent company	<u>\$ 4,230</u>	<u>\$ 1,965</u>
Repairs and maintenance fees:		
— An entity controlled by key management individuals	<u>\$ 3,009</u>	<u>\$ 2,919</u>
Management service fees:		
— Associates of ultimate parent company	\$ 1,110	\$ —
— The Company's key management individual	<u>476</u>	<u>1,825</u>
	<u>\$ 1,586</u>	<u>\$ 1,825</u>

B. Property transactions:

a) Purchase of property:

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Purchase of property, plant and equipment:		
— An entity controlled by key management individuals	<u>\$ —</u>	<u>\$ —</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Purchase of property, plant and equipment:		
— An entity controlled by key management individuals	<u>\$ 1,750</u>	<u>\$ —</u>

b) Purchase of stock equity:

In April, 2013, the Group purchased additional 40% of outstanding share interests of President ScinoPharm (Cayman), Ltd. from entity controlled by key management individuals. Please refer to Note 6(25) for detailed information.

(3) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	<u>\$ 24,782</u>	<u>\$ 23,312</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	<u>\$ 66,522</u>	<u>\$ 58,895</u>

8. PLEGDED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Assets</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>	<u>Purpose of collateral</u>
Time deposits (note)	<u>\$ 40,219</u>	<u>\$ 39,369</u>	Customs duty and performance guarantee

<u>Assets</u>	<u>September 30, 2012</u>	<u>January 1, 2012</u>	<u>Purpose of collateral</u>
Time deposits (note)	<u>\$ 39,369</u>	<u>\$ 39,369</u>	Customs duty and performance guarantee

Note: Recorded as "other financial assets - current" and "other financial assets - non-current."

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Company and its subsidiaries' unused letters of credit amounted to \$4,746, \$8,203, \$—, and \$42,028, respectively.
- (2) As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Company and its subsidiaries' remaining balance due for construction in progress and prepayments for equipment was \$669,455, \$636,466, \$218,449, and \$269,993, respectively.
- (3) The Company entered into a non-cancellable operating lease agreement from June 1, 2011 to February 28, 2018 for the land in Tainan Science Park, with the term of lease less than twenty years. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors are change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of \$10,026, \$8,093 and \$29,889, \$23,528 were recognized in profit or loss for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Within one year	\$ 21, 291	\$ 18, 516
Later than one year but not exceeding five years	72, 745	74, 064
More than five years	—	3, 086
	<u>\$ 94, 036</u>	<u>\$ 95, 666</u>
	<u>September 30, 2012</u>	<u>January 1, 2012</u>
Within one year	\$ 18, 516	\$ 18, 516
Later than one year but not exceeding five years	74, 064	74, 064
More than five years	7, 715	21, 602
	<u>\$ 100, 295</u>	<u>\$ 114, 182</u>

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: None.

12. OTHERS

(1) Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to maintain an optimal capital structure, to reduce the cost of capital and to maintain an adequate capital structure to enable the expansion and enhancement of equipments. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return of capital to shareholders, and issue new shares or sell assets to reduce debts.

(2) Financial instruments

A. Fair value information of financial instruments

Except those in the table below, the Group's financial instruments which are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) is approximate to their fair value. Please refer to Note 12 (3) for details of fair value information of financial instruments measured at fair value.

	<u>September 30, 2013</u>		<u>December 31, 2012</u>		<u>September 30, 2012</u>		<u>January 1, 2012</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:								
Other financial assets	\$ 40,219	\$ 40,219	\$ 39,369	\$ 39,369	\$ 39,369	\$ 39,369	\$ 39,369	\$ 39,369
Refundable deposits paid	17,655	17,655	16,937	16,937	11,305	11,305	8,453	8,453
Financial liabilities:								
Refundable deposits received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250

B. Financial risk management policies

- a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- b)Group treasury identifies, evaluates and hedges financial risks closely with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

a)Market risk

I.Foreign exchange rate risk

- i)The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii)To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii)The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2013			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 32,040	29.57	\$ 947,423
EUR:NTD	225	39.92	8,982
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,997	29.57	118,191
December 31, 2012			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 31,791	29.04	\$ 923,211
EUR:NTD	232	38.49	8,930
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	690	29.04	20,038
EUR:NTD	135	38.49	5,196
September 30, 2012			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 31,805	29.30	\$ 931,887
EUR:NTD	547	37.89	20,726
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	708	29.30	20,744

January 1, 2012			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 27,254	30.28	\$ 825,251
EUR:NTD	2,354	39.18	92,230
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,257	30.28	68,342

As of September 30, 2013 and 2012, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the nine-month periods ended September 30, 2013 and 2012 would increase/decrease by \$41,461 and \$45,556, respectively. If the EUR:NTD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Company's net profit after tax for the nine-month periods ended September 30, 2013 and 2012 would increase/decrease by \$449 and \$1,036, respectively.

II. Price risk

The Group has investments classified as financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets (shown in 'financial assets measured at cost-noncurrent'). Therefore, the Group is exposed to price risk on equity instruments investments. To manage this risk, the Group has set stop-loss amounts for these instruments. The Group expects no significant market risk.

III. Interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Thus, the interest rate of the Group's liabilities fluctuates accordingly with the market interest rate, creating divergence in the Group's future cash flow. However, as the Group's liabilities bear little significance and a small range of interest rate, the Group does not bear significant interest rate risk.

b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash

equivalents, and outstanding receivables. The Group also transacts with many different banks and financial institutions to diversify risk.

II.No credit limits were exceeded during the nine-month periods ended September 30, 2013 and 2012.

III.For more information regarding the Group's credit ratings on its financial assets, please refer to detailed explanation of financial assets in Note 6.

c)Liquidity risk

I.Cash flow forecasting is performed by the Group's treasury department which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II.The following table comprises the Group's non-derivative financial liabilities and derivative financial liabilities with gross-amount settlement that are grouped by their maturity. Non-derivative financial liabilities are analyzed from the balance sheet date to the contract maturity date, and derivative financial liabilities are analyzed from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>September 30, 2013</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 742, 832	\$ -	\$ -	\$ -
Notes payable	766	-	-	-
Accounts payable	298, 529	-	-	-
Other payables	477, 739	-	-	-
<u>December 31, 2012</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 263, 676	\$ -	\$ -	\$ -
Notes payable	1, 045	-	-	-
Accounts payable	223, 074	-	-	-
Other payables	536, 155	-	-	-

September 30, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 48	\$ -	\$ -	\$ -
Accounts payable	242,737	-	-	-
Other payables	513,148	-	-	-
January 1, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 83	\$ -	\$ -	\$ -
Accounts payable	299,250	-	-	-
Other payables	405,808	-	-	-

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012.

September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss – forward foreign contracts	\$ -	\$ 1,584	\$ -	\$ 1,584
Financial assets measured at cost	-	-	167,673	167,673
	<u>\$ -</u>	<u>\$ 1,584</u>	<u>\$ 167,673</u>	<u>\$ 169,257</u>
December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	\$ -	\$ 473	\$ -	\$ 473
Financial assets measured at cost	-	-	167,673	167,673
	<u>\$ -</u>	<u>\$ 473</u>	<u>\$ 167,673</u>	<u>\$ 168,146</u>

<u>September 30, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss – forward foreign contracts	\$ –	\$ 3,254	\$ –	\$ 3,254
Financial assets measured at cost	–	–	167,673	167,673
	<u>\$ –</u>	<u>\$ 3,254</u>	<u>\$ 167,673</u>	<u>\$ 170,927</u>
<u>January 1, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss - forward foreign contracts	<u>\$ –</u>	<u>\$ 2,066</u>	<u>\$ –</u>	<u>\$ 2,066</u>

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- E. Specific valuation techniques used to value financial instruments include:
- a) Quoted market prices or dealer quotes for similar instruments.
 - b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
 - c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- F. The following table presents the changes in level 3 instruments for the nine-month periods ended September 30, 2013 and 2012:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 167,673	\$ -
Additions	-	167,673
At September 30	<u>\$ 167,673</u>	<u>\$ 167,673</u>

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions (For the nine-month period ended September 30, 2013)

- A. Financing activities with any company or person: None.
- B. The Company provided endorsements and guarantees to other entities: None.
- C. The balance of securities held as of September 30, 2013 are summarized as follows:

									As of September 30, 2013
Investor	Type and name of securities	Relationship with the issuer	Accounts (Note)	Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note	
ScinoPharm Taiwan, Ltd.	Bill under repurchase agreements: Mega Bills Finance Co., Ltd.	—	1	—	\$ 81,834	—	\$ 81,834	—	
	Stocks:								
	Tanvex Biologics, Inc.	The company is a director of Tanvex Biologics, Inc.	2	28,800	167,673	17.00%	—	—	
	SYNGEN, INC.	—	2	245	—	7.40%	—	—	
	SPT International, Ltd.	An investee company accounted for under the equity method	3	43,545	1,326,575	100.00%	1,401,714	—	
	ScinoPharm Singapore Pte Ltd.	An investee company accounted for under the equity method	3	—	15	100.00%	15	—	
	Foreseeacer Pharmaceuticals, Inc.	An investee company accounted for under the equity method	3	3,600	95,972	15.32%	95,972	—	
SPT International, Ltd.	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	An investee company accounted for under the equity method	3	—	428,949	100.00%	428,949	—	
	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company accounted for under the equity method	3	—	952,669	100.00%	952,669	—	
	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	An investee company accounted for under the equity method	3	—	15,080	100.00%	15,080	—	

Note: There three types of general ledger account are as follows:

1. Cash equivalents
2. Financial assets carried at cost – non-current
3. Investment accounted for under the equity method

D. The cumulative buying or selling amount of one specific security exceeding the lower of \$100,000 or 20 percent of the contributed capital:

Investor	Type of securities	General ledger account	Name of the counter party	Relationship	Beginning balance		Additon		Disposal			Other increase (decrease)		Ending balance			
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	
ScinoPharm	Bill under repurchase agreement:																
Taiwan, Ltd.	China Bill Finance Co. International Bills Finance Co. Mega Bills Finance Co., Ltd. Taishin International Bank	Cash equivalents	-	-	-	\$ -	-	\$ 2,307,472	-	\$2,307,739	(\$ 2,307,472)	\$ 267	-	\$ -	-	\$ -	
		Cash equivalents	-	-	-	-	-	2,561,411	-	2,561,712	(2,561,411)	301	-	-	-	-	
		Cash equivalents	-	-	-	85,794	-	2,875,022	-	2,879,340	(2,878,982)	358	-	-	-	81,834	
		Cash equivalents	-	-	-	59,962	-	621,777	-	681,832	(681,739)	93	-	-	-	-	
	Stocks:																
	Foreseeacer Pharmaceuticals, Inc.	An investee company accounted for under the equity method	Cash capital increase	-	-	-	-	3,600	107,388	-	-	-	-	-	(11,416)	3,600	95,972
	SPT International, Ltd.	An investee company accounted for under the equity method	Cash capital increase	-	43,545	1,239,905	5,000	148,400	-	-	-	-	-	(61,730)	48,545	1,326,575	
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company accounted for under the equity method	Cash capital increase	-	-	895,290	-	148,400	-	-	-	-	-	(91,021)	-	952,669	

E.Acquisition of real estate with an amount exceeding \$100,000 or 20 percent of the contributed capital:

Company name	Type of property	Transaction date	Payment	Satus of payment	Name of counterparty	Relationship	Prior transaction of related counterparty				Price reference	Purpose of acquisition	Other items
							Owner	Relationship	Transfer date	Amount			
ScinoPharm Taiwan, Ltd.	Plant	6. 2012~9. 2013	Approximately \$ 635, 755	\$ 72, 063	San Min Construction Development Co., Ltd. etc.	—	—	—	—	\$ -	Negotiation	Building for operation use	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Plant (Phase I)	4. 2010~9. 2013	283, 496	268, 334	Zhejiang Meiyang International Engineering Design Co., Ltd. etc.	"	"	"	"	"	"	"	"
	Plant (Phase II)	11. 2012~9. 2013	545, 202	207, 500	Jiangsu Qian Construction Group Co., Ltd. etc.	"	"	"	"	"	"	"	"

F.Disposal of real estate with an amount exceeding \$100,000 or 20 percent of the contributed capital: None.

G. Purchases or sales transactions with related parties amounting to \$100,000 or 20 percent of the contributed capital:

Company name	Counterparty	Relationship	Description of transaction		Percentage of net purchases/ (sales)	Credit terms	Differences in transaction terms compared to third party transactions		Notes or accounts receivable/(payable)		Notes
			Purchases/ (sales)	Amount			Unit price	Credit terms	Balance	Percentage of total notes or accounts receivable/ (payable)	
ScinoPharm Taiwan, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company of SPT International Ltd. accounted for under the equity method	Purchases	\$ 136, 250	11%	Payable 90 days after acceptance	\$ -	—	(\$ 2, 381)	(1%)	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	The company	(Sales)	(136, 250)	(99%)	90 days after delivery	-	—	2, 381	99%	—

H. Receivables from related parties exceeding \$100,000 or 20 percent of the contributed capital: None.

I. Derivative financial instruments transactions : For the Company's derivative financial instrument transactions, please refer to Note 6(2).

J. Significant inter-company transactions during the nine-month period ended September 30, 2013:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	
				General ledger account	Amount		
0	ScinoPharm Taiwan, Ltd.	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	1	Purchases	\$ 30,923	Closes its accounts 90 days from the end of each month after acceptance	1%
				Management consultancy revenue	(2,723)	—	—
				Other receivables	2,343	—	—
		ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1	Purchases	136,250	Closes its accounts 90 days from the end of each month after acceptance	4%
				Management consultancy revenue	(19,497)	—	(1%)
				Outsourcing research fee	15,045	—	—
1	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	1	Other receivables	22,632	—	—
				Accounts payable	(2,381)	—	—
		ScinoPharm Taiwan, Ltd.	2	Outsourcing service fee	6,333	—	—
				Accrued expenses	(2,277)	—	—
				Sales	(30,923)	Closes its accounts 90 days from the end of each month	(1%)
Management consultancy expenses	2,723	—	—				
Other payables	(2,343)	—	—				

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)	
				General ledger account	Amount	Transaction terms		
2	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	ScinoPharm Taiwan, Ltd.	2	Sales	(\$ 136,250)	Closes its accounts 90 days from the end of each month after acceptance	(4%)	
				Services revenue	(15,045)		—	—
				Management and general expenses	19,497		—	1%
				Accounts receivable	2,381		—	—
				Other payables	(22,632)		—	—
3	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	ScinoPharm Taiwan, Ltd.	2	Service revenue	(6,333)	—	—	
				Other receivables	2,277	—	—	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are in order from number 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) The company to the consolidated subsidiary.
- (2) The consolidated subsidiary to the Company.
- (3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(2) Disclosure information of investee company

Investors	Investees	Address	Main business	Original investments		Holding status			Net profit (loss) of the investee company for the nine-month period ended September 30, 2013	Income (loss) recognised by the company for the nine-month period ended September 30, 2013	Note
				Balance as at September 30, 2013	Balance as at January 1, 2013 (Note 1)	Shares	Ownership (%)	Book value			
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	\$ 1,477,062	\$ 1,328,662	48,544,644	100.00	\$ 1,326,575	(\$ 135,399)	(\$ 111,757)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	-	-	2	100.00	15	10	10	Subsidiary
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd. (Note3)	Grand Cayman, Cayman Islands	Professional investment	-	3,541	-	-	-	(46)	(18)	Subsidiary
ScinoPharm Taiwan, Ltd.	Foreseeacer Pharmaceuticals, Inc.	Grand Cayman, Cayman Islands	Research and development of peptide injectable drugs	107,388	-	3,600,000	15.32	95,972	(58,382)	(11,416)	-
SPT International, Ltd.	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	China	Research, development, and manufacture of API and new medicine, etc.	121,100	121,100	-	100.00	428,949	(4,796)	-	Subsidiary of subsidiary
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	China	Research, development, and manufacture of API and new medicine, etc.	1,289,940	1,141,540	-	100.00	952,669	(124,547)	-	Subsidiary of subsidiary
SPT International, Ltd.	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	China	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	21,578	21,578	-	100.00	15,080	(3,511)	-	Subsidiary of subsidiary

Note 1: Ending balance as of December 31, 2012.

Note 2: According to the related regulations, it is only required to disclose income (loss) of subsidiary recognized by the Company.

Note 3 : Liquidated in September, 2013.

(3) Disclosure of information on indirect investments in Mainland China

Related information on investee companies for the nine-month period ended September 30, 2013 :

A. The basic information of investments in Mainland China:

Name of investee in China	Main business	Capital	Investment method	Investment amount			Accumulated amount of remittance from Taiwan to China as of September 30, 2013	Ownership held by the company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2013 (Note 2)	Book value of investments in China as of September 30, 2013	Accumulated remittance as of September 30, 2013	Note
				Beginning investment balance from Taiwan	Remitted to China	Remitted back to Taiwan						
ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	Research, development, and manufacture of API and new medicine, etc.	\$ 118,280	(Note 1)	\$ 110,119	\$ -	\$ -	\$ 110,119	100.00	(\$ 4,796)	\$ 428,949	\$ -	-
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Research, development, and manufacture of API and new medicine, etc.	1,271,510	(Note 1)	1,123,660	147,850	-	1,271,510	100.00	(124,547)	952,669	-	-
ScinoPharm (Shanghai) Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	21,290	(Note 1)	21,290	-	-	21,290	100.00	(3,511)	15,080	-	-

B. Ceiling amount of investment in Mainland China:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investment amount in Mainland China imposed by the Investment Commission of MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	\$ 1,439,128	\$ 1,513,053	\$ 5,608,771

Note 1: Setting up a company in the third area, which then invested in the investee in Mainland China.

Note 2: The Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2013 was based on unreviewed financial statements of investee companies as of and for the nine-month period ended September 30, 2013.

Note 3: The ceiling amount is 60% of the higher of net worth or combined net worth.

Note 4: The numbers in the table that involves foreign currencies are expressed in New Taiwan Dollars according to the exchange rate posted on the date of the consolidated financial statements (USD:NTD 1:29.57).

C. Significant transactions with investees in Mainland China, directly, indirectly or through companies located in third region:

a) Purchase amount and percentage of net purchases, the ending balance of the respective accounts payable and percentage:

I. Purchases

<u>Third region Company's name</u>	<u>Name of investee in Mainland China</u>	<u>For the nine-month period ended September 30, 2013</u>
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	\$ 136,250
—	ScinoPharm (KunShan) Biochemical Technology Co., Ltd.	30,923
		<u>\$ 167,173</u>

Purchase prices from related parties are the same as that of general suppliers. The method of payment is agreed upon and closes its accounts 90 days from the end of each month, which is also similar to that of general suppliers.

II. Accounts payable

<u>Third region Company's name</u>	<u>Name of investee in Mainland China</u>	<u>September 30, 2013</u>
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	<u>\$ 2,381</u>

- b) Sales amount and percentage of net sales, the ending balance of respective accounts receivable and percentage: None.
- c) Property transaction amount and related gain or loss: None.
- d) Endorsements, guarantee and security's ending balance and purpose: None.
- e) Maximum balance, ending balance, range of interest rates and interest expense for financing transactions: None.
- f) Other events having significant effects on the operating results and financial condition:

<u>Transaction description</u>	<u>Third region company's name</u>	<u>Name of investee in Mainland China</u>	<u>For the nine-month period ended September 30, 2013</u>
Outsourcing research fees	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	\$ 15,045
Outsourcing service fees	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	\$ 6,333
Management consultancy revenue	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	\$ 19,497
Management consultancy revenue	—	ScinoPharm (KunShan) Biochemical Technology Co., Ltd	\$ 2,723

<u>Transaction description</u>	<u>Third region company's name</u>	<u>Name of investee in Mainland China</u>	<u>September 30, 2013</u>
Other receivables	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	\$ 22,632
		ScinoPharm (KunShan) Biochemical Technology Co., Ltd	2,343
			\$ 24,975
Accrued expenses	—	ScinoPharm (Shanghai) Biochemical Technology, Ltd.	\$ 2,277

14. SEGMENT INFORMATION

(1) General information

The management of the Company has identified the operating segments based on how the company's chief operating decision maker regularly reviews information in order to make decisions. There is no significant change in the organization of the Group and basis for segments division and basis for measurement of segments information.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	<u>For the nine-month period ended September 30, 2013</u>		
	<u>ScinoPharm Taiwan, Ltd.</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 3,760,141	\$ 196,270	\$ 3,956,411
Revenue from internal customers	—	192,477	192,477
Revenue from external customers	3,760,141	3,793	3,763,934
Income from segment before income tax	1,216,799	(216,825)	999,974
Segment assets	10,228,075	2,326,118	12,554,193

	<u>For the nine-month period ended September 30, 2012</u>		
	<u>ScinoPharm Taiwan, Ltd.</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 3,168,179	\$ 339,371	\$ 3,507,550
Revenue from internal customers	-	339,366	339,366
Revenue from external customers	3,168,179	5	3,168,184
Income from segment before income tax	899,203	(105,610)	793,593
Segment assets	9,366,980	1,493,126	10,860,106

(3) Reconciliation for segment income (loss)

A reconciliation of adjusted income of reportable segment to profit before tax is provided as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Income of reportable segments	\$ 1,216,799	\$ 899,203
Loss of other operating segments	(216,825)	(105,610)
Elimination of intersegment transactions	135,388	88,363
Income before income tax	<u>\$ 1,135,362</u>	<u>\$ 881,956</u>

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first third-quarter consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments and liabilities that were vested or settled arising from share-based payment transactions prior to the transition date.

B. Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

C. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

D. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

E. Transfers of assets from customers

The Group has elected to apply the transitional provisions in paragraph 22 of IFRIC 18, 'Transfers of Assets from Customers', and apply IFRIC 18 from the transition date.

- (2) Except derecognition of financial assets and financial liabilities, and non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

- (3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that the entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

- A. Reconciliations for equity as of January 1, 2012 and December 31, 2012 are provided in Note 15, "INITIAL APPLICATION OF IFRSs" of the consolidated financial statements as of and for the three-month period ended March 31, 2013.

B. Reconciliation for equity on September 30, 2012

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets:</u>				
Cash and cash equivalents	\$ 2,302,974	\$ -	\$ 2,302,974	—
Financial assets at fair value				
through profit or loss - current	3,254	-	3,254	—
Accounts receivable	959,460	-	959,460	—
Other receivables	66,339	-	66,339	—
Inventories	1,962,329	-	1,962,329	—
Prepayment	201,960	-	201,960	—
Other current assets	2,100	(2,100)	-	(3)
Total current assets	<u>5,498,416</u>	<u>(2,100)</u>	<u>5,496,316</u>	
<u>Non-current assets</u>				
Financial assets carried at cost	149,555	18,118	167,673	(9)
Property, plant, and equipment	3,609,469	(344,332)	3,265,137	(1) 、(8)
Intangible assets	113,092	(95,663)	17,429	(2) 、(5)
Deferred income tax assets	118,331	10,764	129,095	(3) 、(4) (5)
Prepayments for equipment	-	350,234	350,234	(8)
Other financial assets – non-current	39,369	-	39,369	—
Long-term prepaid rent	-	94,704	94,704	(2)
Other non-current assets	17,207	(5,902)	11,305	(1)
Total non-current assets	<u>4,047,023</u>	<u>27,923</u>	<u>4,074,946</u>	
Total assets	<u>\$ 9,545,439</u>	<u>\$ 25,823</u>	<u>\$ 9,571,262</u>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Notes payable	\$ 48	\$ -	\$ 48	-
Accounts payable	242,737	-	242,737	-
Other payables	496,675	16,473	513,148	(4)
Current income tax liabilities	86,865	-	86,865	-
Advance receipts	26,564	-	26,564	-
Other current liabilities	246	-	246	-
Total current liabilities	<u>853,135</u>	<u>16,473</u>	<u>869,608</u>	
<u>Non-current liabilities</u>				
Accrued pension liabilities	<u>30,273</u>	<u>33,536</u>	<u>63,809</u>	(5)
Total liabilities	<u>883,408</u>	<u>50,009</u>	<u>933,417</u>	
<u>Equity attributable to owners of the parent</u>				
Capital				
Capital - common stock	6,499,300	-	6,499,300	-
Capital Reserves				
Additional paid-in capital in excess of par - common stock	1,233,286	-	1,233,286	-
Capital reserve from stock warrants	13,691	-	13,691	-
Retained earnings				
Legal reserve	103,897	-	103,897	-
Special reserve	-	22,829	22,829	(7)、(9)
Undistributed earnings	802,260	7,477	809,737	(4)、(5) (6)、(7) (9)
Other equity				
Currency translation differences	7,933	(54,492)	(46,559)	(6)、(9)
<u>Non-controlling interest</u>	<u>1,664</u>	<u>-</u>	<u>1,664</u>	-
Total equity	<u>8,662,031</u>	<u>(24,186)</u>	<u>8,637,845</u>	
Total liabilities and equity	<u>\$ 9,545,439</u>	<u>\$ 25,823</u>	<u>\$ 9,571,262</u>	

C. Reconciliation for comprehensive income for the year ended December 31, 2012 is provided in Note 15, "INITIAL APPLICATION OF IFRSs" of the consolidated financial statements as of and for the three-month period ended March 31, 2013.

D. Reconciliation for comprehensive income for the nine-month period ended September 30, 2012

	Effect of transition from R.O.C.			Remark
	R.O.C. GAAP	GAAP to IFRSs	IFRSs	
Sales revenue	\$ 3,168,184	\$ -	\$ 3,168,184	—
Operating cost	(1,567,457)	-	(1,567,457)	—
Gross profit	1,600,727	-	1,600,727	
Operating expenses				
Selling expenses	(133,764)	-	(133,764)	—
General and administrative expenses	(361,108)	(136)	(361,244)	(4)、(5)
Research and development expenses	(239,689)	-	(239,689)	—
Operating profit	866,166	(136)	866,030	
Non-operating income and expenses				
Other income	20,714	-	20,714	—
Other gains and losses	(328)	-	(328)	—
Finance costs	(26)	-	(26)	—
Share of profit / (loss) of associates and joint ventures accounted for under the equity method	(4,434)	-	(4,434)	—
Profit before income tax	882,092	(136)	881,956	
Income tax expense	(133,609)	23	(133,586)	(4)、(5)
Profit for the period	748,483	(113)	748,370	
Other comprehensive loss				
Currency translation difference	-	(46,559)	(46,559)	(10)
Total comprehensive income for the period, net of tax	\$ 748,483	(\$ 46,672)	\$ 701,811	

E.Reconciliation for comprehensive income for the three-month period ended September 30, 2012:

	Effect of transition from R.O.C.			Remark
	R.O.C. GAAP	GAAP to IFRSs	IFRSs	
Sales revenue	\$ 1,284,104	\$ -	\$ 1,284,104	—
Operating cost	(643,909)	-	(643,909)	—
Gross profit	640,195	-	640,195	
Operating expenses				
Selling expenses	(38,564)	-	(38,564)	—
General and administrative expenses	(134,174)	290	(133,884)	(4)、(5)
Research and development expenses	(84,153)	-	(84,153)	—
Operating profit	383,304	290	383,594	
Non-operating income and expenses				
Other income	6,265	-	6,265	—
Other gains and losses	2,211	-	2,211	—
Finance costs	(5)	-	(5)	—
Profit before income tax	391,775	290	392,065	
Income tax expense	(66,516)	(50)	(66,566)	(4)、(5)
Profit for the period	325,259	240	325,499	
Other comprehensive loss				
Currency translation difference	-	(29,027)	(29,027)	(10)
Total comprehensive income for the period, net of tax	\$ 325,259	(\$ 28,787)	\$ 296,472	

Reasons for reconciliation :

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected	
			September 30, 2012	Comprehensive income for the three-month period ended September 30, 2012
(1)	In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, idle assets are presented in “Other Assets”. The Group reclassified “Idle assets” to “Property, plant and equipment” at the date of transition to IFRSs and increased “Property, plant and equipment”.	Property, plant and equipment	\$ 5,902	\$ –
		Other non-current assets	(5,902)	–
(2)	In accordance with current accounting standards in R.O.C., the Group's payments to obtain the land use rights and prepayments for leased lands are presented in “Other intangible assets”. However, in accordance with IAS 17, “Leases”, such long operating lease should be treated as long-term prepaid rent.	Intangible assets	(94,704)	–
		Long-term prepaid rent	94,704	–
(3)	In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or non-current according to the expected period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current.	Other current assets	(2,100)	–
		Deferred income tax assets	2,100	–

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected	
			September 30, 2012	Comprehensive income for the three-month period ended September 30, 2012
(4)	The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognized such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.	Deferred income tax	\$ 2,800	\$ -
		assets		
		Other payables	16,473	-
		Undistributed earnings	(12,320)	-
		General and administrative expenses	1,630	208
(5)	A. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan. B. The Group selected to recognize all unrecognized transitional net benefit obligation and cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs.	Income tax expense	(277)	(35)
		Intangible assets	(959)	-
		Deferred income tax assets	5,864	-
		Accrued pension liabilities	33,536	-
		Undistributed earnings	(29,871)	-
		General and administrative	(1,494)	(498)
		Income tax expense	254	85

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected	
			September 30, 2012	Comprehensive income for the three-month period ended September 30, 2012
	C. In accordance with accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognised in net pension cost of current period using the ‘corridor’ method. However, in accordance with IAS 19, ‘Employee Benefits’, the Group selects to recognize immediately actuarial pension gain or loss in other comprehensive income.			
(6)	The Group selected to reset the cumulative translation differences from foreign operations to zero at the date of transition to IFRSs, in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates.	Undistributed earnings	\$ 72,610	\$ -
		Other equity interest	(72,610)	-
(7)	In accordance with the Jin-Guan-Zheng-Fa-Zi Order No.1010012865, dated April 6, 2012, the Group sets aside special reserve on the date of transition to IFRSs and December 31, 2012, as the Group selected to reclassify the transition differences of items 12 and 13 above to “Retained earnings” account.	Special reserve	30,419	-
		Undistributed earnings	(30,419)	-
(8)	The Group purchased fixed assets and made payments in advance. Pursuant to the “ Rules Governing the Preparation of Financial Statements by Securities Issuers”, such prepayments are presented as “ Fixed assets ” . Based on the nature of the transactions, the prepayments should be recognized as “Prepayment for equipment”.	Property, plant and equipment	(350,234)	-
		Prepayment for equipment	350,234	-

Note	Reasons for reconciliation	Item	Increase/decrease in accounts affected	
			September 30, 2012	Comprehensive income for the three-month period ended September 30, 2012
(9)	The Group lost its significant influence in Tanvex Biologics, Inc. (“Tanvex”), and reclassified the carrying amount of Tanvex from “Long-term investment accounted for under the equity method” amounting to \$167,673 and related “Cumulative translation differences” associated with Tanvex of \$18,118 to “Financial assets carried at cost”. However, as the Group had selected to reset the cumulative translation differences from foreign operations to zero at the date of transition to IFRSs, it increased both “Financial assets carried at cost” and “Cumulative translation differences” by \$18,118 at December 31, 2012. On the same date, the Group reversed proportionately the special reserve back to “Retained earnings” by \$7,590, in accordance with the Jin-Guan-Zheng-Fa-Zi Order No.1010012865, dated April 6, 2012.	Financial assets carried at cost-non-current Special reserve Undistributed earnings Other equity interest	\$ 18,118 (7,590) 7,590 18,118	\$ – – – –
(10)	R.O.C GAAP does not provide any guidance regarding other comprehensive income, and the ending balance of other comprehensive accounts are presented, net of tax, as equity components in the balance sheets. However, under IAS 1, “Presentation of Financial Statements”, an entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.	Other equity interest	(46,559)	(29,027)

- F. There is no significant change in the significant adjustment for the consolidated statement of cash flows for the nine-month period ended September 30, 2012. Please refer to Note 15, “INITIAL APPLICATION OF IFRSs” of the consolidated financial statements as of and for the three-month period ended March 31, 2013 for the related information.
- G. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.